

MARKET MONITOR

Month in Review: May 2025

| Index | Asset Class | 2025 | | 2024 |
|---|--|---------------|-------|-------|
| | | May | YTD | |
| Equity Indexes | | Total Returns | | |
| Russell 3000 | U.S. Equity | 6.34 | 0.64 | 23.81 |
| S&P 500 | Large Cap U.S. Equity | 6.29 | 1.06 | 25.02 |
| Russell 1000 | Large Cap U.S. Equity | 6.38 | 1.00 | 24.51 |
| Russell 2000 | Small Cap U.S. Equity | 5.34 | -6.85 | 11.54 |
| MSCI All Country World | Global Equity | 5.81 | 5.54 | 18.02 |
| MSCI All Country World (Ex U.S.) | International Equity | 4.69 | 14.37 | 6.09 |
| MSCI Europe, Asia & Far East (EAFE) | International Developed Market Equity | 4.72 | 17.31 | 4.35 |
| MSCI Emerging Markets (EM) | International Emerging Market Equity | 4.31 | 8.89 | 8.05 |
| Fixed Income Indexes | | | | |
| Bloomberg U.S. Aggregate Bond | U.S. Investment Grade Bond | -0.72 | 2.45 | 1.25 |
| S&P National AMT-Free Municipal Bond | U.S. Investment Grade Muni Bond | -0.23 | -1.44 | 1.32 |
| S&P Municipal High Yield | U.S. Muni Bonds (Below Investment Grade) | -0.01 | -1.05 | 6.73 |
| Bloomberg U.S. Corp. High Yield | U.S. Corp Bonds (Below Investment Grade) | 1.68 | 2.68 | 8.19 |
| Index Blends: Stock/Bond | | | | |
| 80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | 4.51 | 4.92 | 14.66 |
| 60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | 3.20 | 4.31 | 11.31 |
| 40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | 1.90 | 3.69 | 7.96 |
| 20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | 0.59 | 3.07 | 4.60 |
| Data as of 5/31/2025. Sources are Morningstar for Index returns, and Envestnet Tamarac for Index Blend returns, based on monthly rebalancing. | | | | |

Market Overview

Please see important disclosures at end of this report.

May brought a sharp reversal in sentiment as U.S. equity markets surged, recovering from April's volatility and posting their strongest monthly gains of 2025. The S&P 500 rose 6.29%, its best monthly performance since November 2023, while the Russell 3000 and Russell 1000 each climbed over 6% as well. Even small caps, which had lagged earlier in the year, rebounded with a 5.34% return in the Russell 2000 index.^{1,2}

Investor confidence was buoyed by stronger-than-expected corporate earnings and encouraging inflation data. April's Personal Consumption Expenditures (PCE) index—reported in late May—showed a year-over-year increase of 2.1%, slightly below expectations and continuing a broader disinflationary trend. Fed officials acknowledged the progress but emphasized the need for greater confidence in the data before considering any rate cuts this summer.³

Yields remained choppy as the bond market recalibrated expectations. The Bloomberg U.S. Aggregate Bond Index fell -0.72% for the month, driven by a slight uptick in Treasury yields amid resilient economic data. Meanwhile, high-yield credit outperformed, with the Bloomberg U.S. Corporate High Yield Index returning +1.68%, supported by improving risk sentiment and strong balance sheets across non-investment grade issuers.

Globally, international developed and emerging markets also posted solid gains. The MSCI EAFE rose 4.72%, and the MSCI Emerging Markets index added 4.31%, helped by continued dollar weakness and early signs of economic stabilization in China. The European Central Bank signaled a likely rate cut in June, providing additional momentum for global risk assets.⁴

As we approach midyear, markets appear cautiously optimistic—but remain attuned to macro risks including monetary policy shifts and the potential for renewed geopolitical shocks. Advisors and clients may benefit from rebalancing portfolios and reaffirming long-term allocations amid shifting interest rate expectations.

Reference(s):

- 1) "Index Return Data for May 2025." Morningstar Direct, June. 2025.
- 2) "Stocks Shrug off Trade War to Post Best Month since 2023." Wsj.Com, The Wall Street Journal, 30 May 2025, www.wsj.com/finance/stocks/stocks-shrug-off-trade-war-to-post-best-month-since-2023-da8c5255?mod=stocks_more_article_pos3.
- 3) "The Fed's Targeted Inflation Rate Eased in April." Wsj.Com, The Wall Street Journal, 30 May 2025, <https://www.wsj.com/economy/the-feds-targeted-inflation-rate-eased-in-april>
- 4) "Eurozone Inflation Falls Below Target." Wsj.Com, The Wall Street Journal, 30 May 2025, www.wsj.com/economy/global/eurozone-inflation-falls-below-target-nailing-on-ecb-rate-cut.

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Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

Index Definitions:

Russell 3000 – Index comprised of 3,000 largest U.S. stocks by market capitalization. Russell

1000 – Index comprised of 1,000 largest U.S. stocks by market capitalization.

Russell 2000 – Index comprised of 2,000 smaller U.S. stocks by market capitalization within the Russell 3000.

S&P 500 – Compilation of 500 major U.S. stocks meeting certain criteria; market capitalization and float-weighted.

MSCI All Country World – Global equity index across market capitalizations with about 2,800 constituents, representing about 85% of the free float-adjusted market capitalization across 23 developed and 27 emerging markets.

MSCI All Country World ex USA – Global equity index across market capitalizations, which excludes the U.S., with about 2,300 constituents which represents free float-adjusted market capitalization across 22 developed and 27 emerging markets.

MSCI Europe, Asia & Far East (EAFE) – International equity index across market capitalizations, which excludes North America, with about 840 constituents which represents free float-adjusted market capitalization across 21 developed markets.

MSCI Emerging Markets (EM) – International equity index across market capitalizations with about 1,400 constituents which represents free float-adjusted market capitalization across 27 emerging markets.

Bloomberg U.S. Aggregate Bond – Widely followed bond benchmark comprised of investment grade, U.S. dollar denominated, fixed rate taxable bonds including Treasuries, government-related, corporate, mortgage-backed, and agency.

S&P National AMT-Free Municipal Bond – Broad market-value weighted index comprised of larger and more liquid tax-exempt investment-grade U.S. municipal bonds.

S&P Municipal High Yield Bond – U.S. index of municipal bonds that are either not rated or rated below investment grade.

Bloomberg U.S. Corporate High Yield Bond – Index of fixed rate U.S. dollar denominated corporate bonds rated BB+ or below by Fitch and S&P.

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